

Message Text

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ACTION EUR-25

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INFO AMEMBASSY LONDON

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E.O. 11652: GDS

TAGS: ENRG, GW, IR, UR

SUBJECT: FRG-IRANIAN TALKS: NATURAL GAS

REF: BONN 8247

1. SUMMARY. RECENT TALKS WITH ECONOMICS MINISTRY OFFICIALS HAVE PROVIDED SOME DETAILS ON THE STATUS FRG-IRANIAN DISCUSSION OF THE SHAH'S DESIRE TO FIND A WAY TO SELL IRANIAN GAS TO WESTERN EUROPE. THE FRG'S INTEREST AT THIS POINT SEEMS TO BE ONE OF SHOWING POLITE INTEREST IN IRANIAN PLANS, BUT LITTLE COMMERCIAL INTEREST -- ESPECIALLY SINCE BREZHNEV APPARENTLY REACTED COOLY IN BONN TO THE ONE ARRANGEMENT -- A TRIANGULAR IRANIAN-SOVIET-FRG DEAL -- THE GERMANS CONSIDERED ECONOMIC. END SUMMARY.

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2. FIVE POSSIBLE MODELS WERE DISCUSSED IN BONN DURING THE FRG-IRANIAN TALKS, JUNE 4-7, BUT THE ONLY ONE THE FRG CONSIDERS ECONOMIC IS A TRIANGULAR IRANIAN-SOVIET-FRG DEAL. THIS IRANIAN SCHEME WOULD INVOLVE RECOUPING GAS NOW FLARRED AT IRANIAN OIL FIELDS AND DELIVERING IT TO SOUTHERN RUSSIA BY PIPELINE. IN RETURN FOR THESE INCREASED DELIVERIES AND AN UNSPECIFIED FEE, THE SOVIET UNION WOULD AGREE TO SUPPLY ADDITIONAL GAS FROM WESTERN RUSSIA TO THE FRG. (WHERE THE PIPELINE CAPACITY WOULD COME FROM IS NOT CLEAR).

3. DURING HIS JUNE VISIT TO BONN IRANIAN ECONOMICS MINISTRY ANSARY SAID THAT THE SHAH HAD DISCUSSED THIS PROSPECT WITH SOVIET PREMIER KOSYGIN, WHO HAD AGREED TO UNDERTAKE A STUDY OF IT. THE FRG, HOWEVER, HAD PREVIOUSLY RAISED THIS SUBJECT WITH BREZHNEV DURING HIS VISIT TO BONN IN MAY AND INTERPRETED HIS REACTION AS ONE OF LITTLE INTEREST IN PURSUING THE PROPOSAL -- ALTHOUGH HE WAS INFORMED OF IT.

4. ACCORDING TO GAS EXPERTS IN THE ECONOMICS MINISTRY, THE FRG CONSIDERS THE OTHER FOUR MODELS DISCUSSED IN FRG-IRANIAN TALKS POLITICALLY AND ECONOMICALLY TOO PROBLEM-RIDDEN TO BE WORTH PURSUING. THESE MODELS WERE 1) A PIPELINE FROM IRAN TO A TURKISH BLACK SEA ROUTE, WITH A LIQUIFICATION PLANT THERE AND ONWARD TRANSPORT BY REFRIGERATED TANKER TO EUROPE 2) A PIPELINE FROM IRAN TO A TURKISH MEDITERRANEAN PORT 3) A SUPER PIPELINE (30-40 BILLION CUBIC METERS PER YEAR) FROM IRAN TO CENTRAL EUROPE AND 4) CONVERSION OF IRANIAN GAS TO METHANOL IN IRAN AND SHIPMENT BY CONVENTIONAL TANKER.

5. COMMENT: IN GENERAL, THE FRG SEEMS TO CONSIDER ITS PROSPECTIVE GAS SUPPLIES AS ADEQUATE UNTIL THE LATER YEARS OF THIS DECADE. IT, THEREFORE, HAS A CAUTIOUS ATTITUDE TOWARD THE MORE SPECTACULAR AND EXPENSIVE PROPOSALS FOR SUPPLYING FUTURE FRG NEEDS. THIS ATTITUDE ASSUMES, HOWEVER, THAT THE EUROPEAN CONSORTIUM ARRANGEMENT WITH ALGERIA WILL BE

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REALIZED. FINANCING APPARENTLY REMAINS THE PROBLEM HERE, PARTICULARLY THE ALGERIANS DEMAND THAT THE EUROPEAN CONSORTIUM BY JULY 31, PUT TOGETHER A FINANCING OFFER EQUIVALENT TO EXIM BANK'S FINANCING FOR THE EL PASO PROJECT.

HILLENBRAND

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